

**CITY OF SPOKANE**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. Internal Controls Over Cash Receipts At Riverfront Park Should Be Improved

During our review of cash handling procedures at Riverfront Park, a system which collected in excess of \$2.6 million during 1995, we noted the following internal control weaknesses:

- a. There continues to be no timely reconciliation between sales and cash deposited.
- b. There is no control over the selling of day passes or ticket books. The park department does not track the use of these items through the use of control numbers nor is there an adequate inventory performed. The parks department sells identical tickets and day passes for different prices. This practice removes the ability to properly reconcile cash received to sales.
- c. Cash receipts are not routinely issued to customers. Issuing cash receipts to all customers would help strengthen the internal control system.
- d. The cash and check composition of the receipts is not recorded and consequently not reconciled at day end. This is an integral step for good internal controls.
- e. Employees cash personal checks from revenues. This destroys the integrity of the cash and check composition.
- f. Employees are given a discount on purchases made throughout Riverfront Park.
- g. Incompatible duties are performed by the cashiers. The cashiers are given the ability to issue, validate and redeem free passes. No numeric control exists for these passes nor are these passes inventoried or tracked.
- h. Not all transactions are run through the cash registers. Coupons/vouchers for passes and tickets are not to be run through the system.
- i. Checks are not consistently being restrictively endorsed when received.

While parks department management has made substantial improvements in the cash receipting system at Riverfront Park, internal controls over the cash collection process still are not sufficiently strong.

The weaknesses noted above result in decreased accountability over cash receipts and an increased risk that errors and/or theft could occur and not be detected.

We recommend that the parks department continue to strengthen internal controls over the cash collection process at Riverfront Park.



2. The City's Transportation Department Should Strengthen Controls Over Cash

- a. The city's transportation department charges customers for photo copies, traffic flow maps, parking meter bags, loading zone permits, and parking. In our audit report for 1994, we noted weaknesses in controls over cash. While this system has been improved, previously identified control weaknesses continue to exist.
- (1) There continues to be inadequate segregation of duties in receipting.
  - (2) There continues to be no cash accountability between clerks.
  - (3) Cash deposited still is not reconciled to sales. There is no management oversight of these cash collections. Total recorded receipts for 1995 were more than \$47,500.
  - (4) There is no direct review of the cash receipting work that the senior clerk is performing.
  - (5) It continues to be impossible to reconcile the cash and check composition of daily receipts because mode of payment is not consistently shown on one of the several receipt forms used.
  - (6) The department does not use the numeric sequence of receipts or parking decals for reconciling purposes. This destroys the ability to reconcile sales and receipts.

Because of weaknesses listed above, we believe the transportation department's cash receipting system currently in use for sales to customers cannot be relied upon to prevent irregularities and fraud.

We recommend the department do the following:

- a. Maintain separate accountability of sales and cash between the clerks.
  - b. Reconcile cash collected to sales daily.
  - c. Establish procedures for receipting and depositing all moneys received.
- b. The transportation department is responsible for collecting parking meter cash. Over \$960,000 was deposited during 1995.

In our audit report for 1994, we noted weaknesses in controls over cash. Our follow up showed that the department has developed plans for strengthening controls and has implemented some changes, but procedures are substantially unchanged since our last report. We noted the following:

- (1) Controls over the coins removed from city parking meters until the money is counted, bagged and sealed continue to be weak. From the time coins are removed from a meter until they are counted and bagged, fraud or theft could occur without detection.
- (2) Internal controls over route collection activities of cash collectors continue to be weak.

Based on our understanding of the controls in place on parking meter collections

and our audit tests on those controls, we believe the transportation department's parking meter collection activity cannot be relied upon to prevent irregularities or fraud.

We recommend the city's management continue to strengthen internal controls over the parking meter cash collection.

3. Internal Controls Should Be Improved At Municipal Court

During our audit of the city's Municipal Court cash receipting system which collected more than \$2 million in 1995, we noted the following internal control weaknesses:

- a. Cashiers have inadequate segregation of duties. The cashiers receipt cash, create time pays, post adjustments to daily receipts and accounts receivable files in the District Court Information Systems (DISCIS). These are incompatible duties for the cashiers.
- b. Cashiers reduce the amounts due on tickets, referred to as counter mitigation, without adequate management review or authorization.
- c. Cashiers are given improper access to the DISCIS computer system. Cashiers have been assigned the accountant user identification which allows them special privileges of completing overrides, creating time pays, and reversing receipts.
- d. There is no evidence of an independent review of DISCIS created audit reports. Audit adjustment reports are given a limited cursory review.
- e. Checks are not being restrictively endorsed at the time of payment.
- f. Receipts are not issued timely. The DISCIS system will not accept payments prior to data entry of the receivable. No receipts are issued by the court until the DISCIS system has been updated on these types of payments. Instead the payments are retained by the cashiers. This does not establish accountability at the time of payment.
- g. Documentation and procedures over the issuance of manual receipts are not adequate. Manual receipts are issued when the DISCIS system has crashed and are used to enter the transaction into the system later. These manual receipts do not have the computer generated receipt attached to create an audit trail for management oversight.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

The court's management contends that work load issues and staffing considerations limit the court's ability to implement adequate controls over cash handling.

Inadequate internal controls over cash receipting increases the court's exposure to theft.

We recommend that internal controls over cash receipting and posting adjustments to receivables be strengthened. We further recommend the audit reports be reviewed and retained with evidence of review.

4. The City Should Strengthen Accounting Controls Over Fixed Assets

During our audit of the city's fixed asset system, we noted that not all fixed assets acquired by the city are being recorded in the city's general fixed asset account group. It was impractical for us to determine the extent to which fixed assets were not recorded or to determine the cost of unrecorded fixed assets. We further noted that departments are not conducting an inventory of fixed assets every two years as required by city policy. Therefore, there is no assurance that items recorded in the general fixed asset account group are actually in the possession of the city.

As noted in prior audit reports, the city also does not maintain detailed records for a significant number of parcels of land in the general fixed asset account group. As the city discloses in Note 16 of the financial statements, the city owns approximately 1,350 parcels of land which are recorded in the general fixed asset account group, but are not assigned to any particular fund or department and are not recorded with a dollar value. We were unable to determine cost of the land.

The State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual requires cities with a population over 8,000 to account for fixed assets.

City departments that fail to record fixed assets in the general fixed asset account group and that fail to conduct periodic inventories of fixed assets are not establishing accountability over fixed assets and are not adequately safeguarding the city's fixed assets from theft.

Because we were unable to determine the cost of land in the general fixed asset account group, we have qualified our opinion on the city's financial statements. This condition has been known since the audit of 1983.

Weak controls and a lack of management emphasis have resulted in the problems identified in the city's fixed asset system.

We recommend the city correct the weaknesses in accountability and the safeguarding of fixed assets.